

GRANITE STATE ELECTRIC COMPANY)
D/B/A NATIONAL GRID -)
NH ELECTRIC RENEWABLE)
PORTFOLIO STANDARDS LAW)
)

SETTLEMENT AGREEMENT

The Parties hereby agree as follows:

The RPS Law requires all retail electricity suppliers in the state to source a specified portion of their annual energy needs from a portfolio of renewable energy resources. The resources are divided into four separate classes. They are:

¹ N.H. RSA 362-F.

existing biomass, methane, or hydroelectric sources of any size; and 8) certain incremental production from Class II, III, and IV sources.

Class II consists of new generators utilizing solar technologies.

Class III consists of existing generators utilizing: 1) biomass technologies with a gross nameplate capacity of 25 MW or less; and 2) methane gas.

Class IV consists of existing qualifying small hydroelectric generators with a gross nameplate capacity of 5 MW or less.

The following table summarizes the annual RPS Law resource requirements from 2008 through 2025 in percentage increments:

Year	Class I	Class II	Class III	Class IV	Total
2008	0.0	0.0	3.5	0.5	4.0
2009	0.5	0.0	4.5	1.0	6.0
2010	1.0	0.04	5.5	1.0	7.54
2011	2.0	0.08	6.5	1.0	9.58
2012	3.0	0.15	6.5	1.0	10.65
2013	4.0	0.20	6.5	1.0	11.70
2014	5.0	0.30	6.5	1.0	12.80
	+1.0 annually				
2025	16.0	0.30	6.5	1.0	23.80

Retail electricity suppliers may satisfy these annual requirements by purchasing attribute certificates (“RECs”) created through the New England Generation Information System (“NE-GIS”) or making the applicable Alternative Compliance Payment (“ACP”), as set forth in the RPS Law, to the New Hampshire Renewable Energy Fund. National Grid is subject to the RPS Law requirements relating to the power supply for its default service customers and will purchase RECs or remit an ACP, as necessary, to comply with the RPS Law.

The form of RECs that may be purchased includes:

- RECs that have been issued by the NE-GIS during a currently active NE-GIS trading session. These RECs will be issued by the NE-GIS from the final, reported production data of RPS certified generation facilities. As a result, the number of available RECs is firm and known.

- Purchase obligations of RECs from the future production of an RPS certified generation facility. These REC purchase obligations can either be on a firm or unit-contingent basis. With a firm purchase, the seller is responsible for delivering a fixed number of RECs regardless of actual plant output. A unit-contingent purchase is based on actual plant output and the number of RECs purchased is unknown until after final, reported data is available for the specified facility.

II. Compliance with RPS Law

1. National Grid currently meets its default service power supply obligations through competitive solicitations every six months for the Small Customer Group and quarterly for the Large Customer Group pursuant to a settlement agreement approved by the Commission in Order No. 24,577 in Docket DE 05-126 (January 13, 2006).
2. The Parties agree that for all future default service power supply solicitations, National Grid will request that suppliers provide a bid for compliance with the RPS Law for each of the RPS resource classes.²
3. National Grid will evaluate the bids received from suppliers and select the lowest cost of power supply for default service that meets the Company's qualitative analysis. The Company will also evaluate the winning default service supplier's (or suppliers') bid for compliance with the RPS Law. If the winning default service supplier's bid for compliance with the RPS Law is higher than the Company's estimate of the market price for RECs, the Company will reject the bid for compliance with the RPS Law and attempt to purchase RECs at a lower

² For purposes of these solicitations, RPS Law compliance means transferring to the Company sufficient RECs attributable to the load served by the supplier multiplied by the applicable RPS percentage requirements for the year of service.

cost through a separate solicitation at a later date. The Company's estimate of the market price for RECs will be based on the cost of RECs bid in the default service RFP, the average cost of RECs purchased in the most recent separate REC solicitation, or the market price for RECs based on broker sheets or other market information available to the Company.

4. National Grid will share its confidential analysis of the indicative bids for RPS Law compliance with Staff and the OCA, including its recommendation with regard to whether to accept any final bids for compliance with the RPS Law from the winning default service supplier(s) as long as the final bids are consistent with the indicative bids. National Grid will include in its filing with the Commission the results of its default service solicitation and the final decision and analysis regarding RPS Law compliance.

5. National Grid shall issue separate, independent RFPs to purchase RECs approximately twice per year for any RPS Law requirements that have not been met through a default service RFP as described in paragraphs 2-4 above. These independent RFPs will request RECs to meet one-hundred percent (100%) of the unmet requirements from past months that have been settled in the ISO-NE market. In addition, the independent RFPs will request an estimated fifty-percent (50%) of future unmet RPS Law requirements for both the Small Customer Group and the Large Customer Group for each of Customer Group's respective default service procurement periods. National Grid's estimate of fifty-percent (50%) of the future RPS Law requirements for each Customer Group will be based upon its

forecast of kWh sales for the upcoming default service procurement period for each Customer Group.

6. Consistent with the Company's evaluation criteria, the Company shall accept bids for RECs (ranked from lowest to highest cost) until the applicable RPS Law requirements are met. The Company will exercise its discretion to reject or accept any or all bids below the estimated ACP and will purchase RECs relating to bids that have not been rejected. National Grid will not purchase RECs at prices that are equal to or greater than the applicable ACP.

7. National Grid will share its confidential analysis of the bids for RECs with Staff and the OCA, including its decision with regard to whether to accept any bids for RECs, prior to executing contracts for RECs with suppliers.

8. The Company shall attempt to procure sufficient RECs to meet the RPS Law requirements. To the extent National Grid procures more RECs than necessary to satisfy the RPS Law requirements, the Company will bank its RECs to meet future RPS Law requirements, as set forth in the New Hampshire Code of Administrative Rules Chapter PUC 2500. In the event that the Company is unable to obtain sufficient RECs to satisfy its RPS Law requirements through such separate RFPs; the Company will then make an ACP for the unmet requirement.

III. RPS Adder

1. As part of the Company's default service filings in March and September for both the Large and Small Customer Groups, the Company will calculate an RPS

Adder applicable for the six-month periods May through October and November through April. The Company will initially use the same RPS Adder for both the Large Customer Group and Small Customer Group, except that the RPS Adder for the Large Customer Group shall be recalculated in the event that the Company selects a bid for RPS compliance from a winning default service supplier for the Large Customer Group in any stand alone Large Customer Group default service procurement. The RPS Adder will be based upon either the winning default service supplier's price for compliance with the RPS Law or a proxy for RPS Law costs developed by the Company. These proxy RPS Law costs will be based upon either the results of the Company's most recent RFP for RECs or the Company's estimate of the market price for RECs.

2. The Parties agree that National Grid may recover all prudent costs of complying with the RPS Law requirements. This includes, among other things, all direct REC purchase costs, broker fees, option costs, and all other costs incurred in the procurement of RECs and any ACPs made to the state. Any difference between the revenue received from the approved RPS Adder(s) from default service customers and the actual prudent cost of RPS Law compliance will flow through the Company's annual default service reconciliation which takes place in May of each year, and upon approval of the Commission, be reflected in the Company's Default Service Adjustment Factor provided for in the Default Service Adjustment Provision of the Company's tariff. The Company will reconcile the costs of complying with the RPS Law uniformly across both the Small and Large Customer Groups.

IV. Miscellaneous

1. The Parties agree that this Settlement Agreement is the product of settlement negotiations and that the content of such negotiations (including any workpapers or documents produced in connection with the negotiations) shall be privileged and confidential, and all offers of settlement shall be without prejudice to the position of any party or participant presenting such offer.
2. This Settlement Agreement is submitted on the condition that it be approved in full by the Commission. Should the Commission not approve this Settlement Agreement in its entirety, the Parties shall have an opportunity to amend or terminate it. If terminated, this Settlement Agreement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or be used for any purpose.
3. The Parties agree that the Commission's approval of this Settlement Agreement does not constitute approval of or precedent regarding any particular issue in this proceeding. Commission approval of this Settlement Agreement constitutes a determination that the provisions set forth herein are just and reasonable.
4. The making of this Settlement Agreement establishes no precedent and shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation, except as to those issues and proceedings that are

stated in this Settlement Agreement as being resolved and terminated by approval of this Settlement Agreement.

5. The Parties agree that this Settlement Agreement may be revised or modified by agreement of the Parties, subject to approval of the Commission.

6. The Commission shall have continuing jurisdiction to enforce the terms of this Settlement Agreement.

7. This Settlement Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement,
each being fully authorized to do so, as of the day and year written below.


GRANITE STATE ELECTRIC COMPANY
D/B/A NATIONAL GRID

Date: 12/9/08

By: Alexandria E. Blackmore
Alexandra E. Blackmore, Esq.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Date: 12/9/08

By: 
Suzanne Amidon, Esq.

OFFICE OF CONSUMER ADVOCATE

Date: 12/9/08

By: 
Meredith A. Hatfield, Esq.